

Dear Ms Yushra Haniff,

Andromeda Metals Limited notes the Query Letter sent by ASX, dated 29 August 2022, and provides the following responses to the questions listed under the heading *Request for information*:

- 1. Does ADN consider the information contained within the Announcement to be information that a reasonable person would expect to have in impact on the price or volume of ADN's securities? In your answer please specifically address the following differences:**

DFS	Announcement
Stage one construction commencing October 2022 and stage one production commencing in July 2023	Commissioning of the plant in late 2023 and first sales in the first half of 2024
Stage one processing rate of 300,000 t/pa	Starter plant processing rate of 100,000 t/pa
Saleable production of 153,000 t/pa	Nameplate production of 50,000 t/pa

No. Andromeda does not consider the information contained within the Announcement to be information that a reasonable person would expect to have an impact on the price or volume of its securities.

In determining materiality of the Announcement, the Company primarily focused on the procurement of the long lead items, which was the purpose of the Announcement. The ordering of long lead items was part of the expected process and within the ordinary course of the development of the Great White Kaolin Project (GWKP).

At this time the Company also decided to take the opportunity to provide a general update to the market on the GWKP. The information provided in this general update was all within the original envelope of information contained within the Definitive Feasibility Study (DFS) as advised to the market on 6 April 2022 (*Great White Kaolin Project - Definitive Feasibility study and Updated Ore Reserve*).

The information provided to the market in this update was to provide some detail on the approach the Company was taking in the implementation of the DFS. The Company determined that this was not material as it was only an update and fits within the framework of the DFS and, therefore was not expected to have a material impact on the price or volume of the Company's securities.

It is important to note that, the Company considers a delay of several months of any particular aspect within the framework of the DFS, is not material to the production and financial outcomes detailed in the DFS.

In specifically addressing the differences noted above by ASX, Andromeda notes:

- In regard to Stage one construction, the Company continues to be planning for the commencement of construction upon receipt of the approval of the Program for Environment Protection and Rehabilitation (PEPR) by South Australia's Department for Energy and Mining (SA DEM). The Company has not been provided a timeframe for approval and, at this stage, continues to remain hopeful that approval will be received during 2022. Consequently, on this aspect the Announcement was not considered material or market sensitive.
- In regard to Stage one production, whilst the DFS notes July 2023 as an initial date for production, there are several stages of production. Assuming the PEPR is approved during 2022, the Company continues to expect the commencement of Mining production during July 2023 leading to marketable quantities of kaolin products for sale in the first half of 2024. Given mining production continues to be planned to occur in July 2023, which is as per the date provided in the DFS, the Announcement was not considered material or market sensitive.
- In regard to Stage one processing rate of 300,000 t/pa noted in the DFS, the Company confirms that this continues to be the goal of the project. The Starter Plant is designed to conserve initial up-front capital, prove processing methods, provide initial quantities of product to fulfill commitments contained in signed offtake agreements in a controlled manner. The project will then ramp-up production, from this initial processing level of 100,000 t/pa of ore, and increase volumes in line with signed binding offtake agreements, to the processing capacity of 300,000 t/pa outlined in Stage One of the DFS. The Starter Plant has been arranged to facilitate scalable ramp-up with parallel processing lines designed into the footprint. The processing capacity of 300,000 t/pa as disclosed in the DFS remains, and so the announcement on Friday, which provided an update on the practicality of how this will be achieved, was not considered material or market sensitive.
- In regard to the saleable production of 153,000 t/pa noted in the DFS, the Company notes that this continues to be the goal of the project. When fully operational, the Starter Plant is planned to produce an initial 50,000 t/pa of product to fulfil customer demand and will then embark on a ramp up in production, in line with signed Offtake Agreements. This initial production will allow the company to test all of the systems and logistics required in the project while building future capacity. Current signed binding offtake agreements indicate a ramping up of volume year-on-year, consuming the Stage one processing capacity of 153,000 t/pa (outlined in Stage One of the DFS released in April) during Stage one. The saleable production of 153,000t/pa, as disclosed in the DFS, remains the Company's goal. An announcement of a Starter Plant that controlled initial start-up capital requirements, and permitted a ramp up of production to reach the Stage one production capacity outlined in the DFS, as the Announcement on Friday did, provides an update on the practicality of how this will be achieved. For these reasons, Friday's Announcement was not considered material or market sensitive.

2. If the answer to question 1 is “no”:

2.1 Please provide the basis for that view.

The Company determined that the Announcement was not considered market sensitive as the procurement of long lead items and the inclusion of a general update on the GWKP was within the framework of the DFS. It was considered that there were no material changes to the DFS as disclosed to the market on 6 April 2022, rather the Announcement merely provide details on the more capital efficient and scalable approach the Company was taking to the project execution of delivering on the DFS.

Within the DFS it is noted that Andromeda would “*now be moving to the detailed design phase of the Project, focusing on the Stage One processing plant*” (see page 8 of ASX Announcement entitled *Great White Kaolin Project - Definitive Feasibility study and Updated Ore Reserve*, dated 6 April 2022). In addition, the Company noted in its ASX Announcement (*Andromeda progresses Great White Kaolin Project with signing of Land Acquisition Agreements and lodgement of PEPR*, dated 18 August 2022) that: *The Agreements and lodgement of the PEPR significantly de-risk the Project’s development and increases confidence for the approaching investment phase.*

It was considered that a subsequent Announcement regarding the procurement of long lead items would be expected, to reiterate the Company’s progress towards development.

The ASX Announcement dated 26 August 2022 did not change, or alter, the Company’s intention to deliver the Project as outlined in the DFS or alter key parameters in a material way. The Announcement detailed a refinement of the staged, scalable approach to developing the GWKP was deemed more prudent, to more closely match signed offtake agreements with reduced initial capital intensity in light of the current status of the world economy.

2.2 What does ADN believe was the cause of the significant decline in its share price on 26 August 2022?

Andromeda does not consider the information contained within the Announcement to be information that a reasonable person would expect to have an impact on the price or volume of its securities.

ADN was surprised by the market reaction to the Announcement. Announcing the procurement of long lead items was not an unexpected action and so therefore had been determined to be immaterial. The provision of an update regarding the GWKP at the same time, was also determined as immaterial as it did not change the intention to deliver the Project as outlined in the DFS. The update outlined the staged, scalable approach to developing the GWKP, well within the framework of the DFS, but in a way which was deemed more prudent, to more closely match the commitments of current signed offtake agreements, and at a reduced level of up-front capital required.

Without any data to substantiate the hypothesis, we can only surmise that the messaging in the Announcement was mis-interpreted as a veiled attempt by the Company to disguise a delay in delivering the Project. The announcement was intended as the opposite in that the Company was announcing its confidence with the latest progress achieved and was moving forward to develop the Project.

It would appear that the announcement provided some confusion on the Project timing. The announcement indicated up to a 12-month delivery time for long lead

items, it would appear that some readers took this as an additional 12 months on the Project. In fact, this timeline fits within the DFS schedule for the Project and aligns with the time required until PEPR approval is obtained, site establishment works, civil works and construction of the Starter Plant. The ordering of the long lead items has been undertaken as a "just in time" purchase that fits into the DFS project schedule rather than adds to it.

We further note recent increased market volatility and the share price movements of peers operating in this segment.

2.3 What was ADN's purpose for lodging the Announcement on MAP at all?

The main purpose was to inform the market that long lead plant items would now be procured, on the back of the previously announced milestones. The particular purpose for the Announcement of procurement of long lead items was because funds had been previously raised for that specific purpose, in addition to other purposes, and some shareholders had asked for an update. The Company also took the opportunity to provide a general update to the market on the GWKP. The update provided in the Announcement did not change the intention to deliver the Project as outlined in the DFS, rather, it provided an update and outlined the staged, scalable approach to developing the GWKP, with the building of an initial Starter Plant.

- 3. If the answer to question 1 is "yes", had ADN disclosed this on MAP previously? If so, please identify the announcement in which it did so. If not, please explain why ADN indicated the Announcement was non-sensitive, noting that ADN has twice previously made errors when submitting announcements to MAP (paragraphs A & B).**

Not applicable.

- 4. When did ADN become aware of the contents of the Announcement?**

In regard to the procurement of the long lead items, the Company became aware of this decision during a meeting of the Board of Andromeda Metals Limited on 23 August 2022, the Board agreed to approve the ordering of long lead items now that the GWKP had been de-risked sufficiently to support procurement of the long lead items.

In regard to the potential immaterial delay to the DFS timetable and our scaled, staged approach to production, the Company became aware of this when the plan for development of the starter plant was presented to the Board at the Board meeting on the 23 August. So at that same Board meeting, the Board and Management discussed the approach to delivering the GKWP as detailed within the DFS, using this staged, scalable approach to the development. The determination of the materiality of the announcement was primarily based on the ordering of the long lead items, which was not considered a material change as the Project update had no material changes from the disclosed DFS.

During that meeting, the Board and Management determined that an announcement be prepared, noting that the procurement of long lead items would be unlikely to cause an impact on the price and/or volume of the Company's securities. Whilst the focus of the disclosure of the procurement of long lead items, the Board and Management agreed it would also be an opportune time to provide a general market update on the GWKP. Noting the announcement was considered non-material, the draft announcement was prepared during the course of the following day (Wednesday 24 August 2022) and reviewed and approved on Thursday, 25 August 2022 for lodgement early on Friday 26 August 2022.

5. If ADN became aware of the contents of the Announcement at an earlier date, why did it not disclose this information at that time?

Not applicable.

6. Is ADN of the view that the header of the Announcement was a fair and balanced impression of the contents as per section 13 of Guidance Note 14 (paragraph F)? If so, please provide the basis for that view.

Yes. The heading of the Announcement reflected the primary role of the announcement, which was to advise the market of the long lead items.

The header on MAP for the Announcement was *Procurement of Long Lead Items for the Great White Project*, while the header on the Announcement was *Andromeda Commencing Procurement of Long Lead Time Items for Great White Kaolin Project*.

During the Board meeting on 23 August 2022 the Board resolved to approve the ordering of the long lead items, as the Project had been sufficiently de-risked with the recent signing of offtake agreements, the land acquisition and lodgement of the PEPR. It was determined that an announcement would be appropriate as the Company continued to get queries on the long lead items, as funds were previously raised for that purpose, in addition to other purposes.

It was then determined that it was also an opportunity to provide a general update on the GWKP. The main purpose of the announcement was to inform the market of the ordering of the long lead items and not the general update of the GWKP.

The update on the GWKP was determined to be immaterial as there is no change to the intent of delivering the Project as outlined in the DFS or any material change to the key parameters of the Project.

7. Please confirm that ADN is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Andromeda confirms it understands the ASX Listing Rules, including its Continuous Disclosure obligations, and confirms that it continues to abide by, and be in compliance with, these obligations.

8. Please confirm that ADN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ADN with delegated authority from the board to respond to ASX on disclosure matters.

The above responses to ASX's Query Letter have been authorised by the Board of Andromeda Metals Limited.

Yours faithfully,



Andrea Betti
Company Secretary



29 August 2022

Reference: 58072

Ms Andrea Betti
Company Secretary
Andromeda Metals Limited
Level 10, 431 King William Street,
Adelaide SA 5000

By email: andrea.betti@andromet.com.au

Dear Ms Betti

Andromeda Metals Limited ('ADN'): Query Letter

ASX refers to the following:

- A. ADN's announcement titled "Response to ASX Aware Query" lodged on the ASX Market Announcements Platform ('MAP') on 6 May 2021, which stated in response to a question surrounding ADN marking an announcement as price-sensitive when it was submitted to MAP:

"The Andromeda announcement on 3 May 2021 was inadvertently marked as price sensitive whereas it should not have been flagged as such."

- B. ADN's announcement titled "Response to ASX Query Letter" lodged on MAP on 12 July 2021, which stated (relevantly):

"Due to internal administrative error during the drafting process which omitted to identify that the announcement was not market sensitive, the announcement was incorrectly tagged as market-sensitive while lodging on ASX Online."

...

The Company has reviewed and revised its procedures to ensure these sort of administrative errors do not occur again."

- C. ADN's announcement titled "Great White Kaolin Project - Definitive Feasibility Study" ('DFS') lodged on MAP on 6 April 2022, which relevantly disclosed the following in relation to the ADN's Great White Kaolin Project:

Table 26 Key operational assumptions

Item	Value	Data Source
Construction start date Stage One Stage Two Stage Three Stage Four	October 2022 January 2025 October 2026 October 2028	Andromeda
Production start date Stage One Stage Two Stage Three Stage Four	July 2023 July 2025 July 2027 July 2029	Andromeda
Mining method	Conventional earthmoving	Andromeda
Processing method	Blunging, separation, dewatering, product drying and packaging.	Primero process flow diagrams
Processing rate Stage One Stage Two Stage Three Stage Four	300,000 tpa 300,000 tpa 600,000 tpa 600,000 tpa	Andromeda
Average annual saleable production Stage One Stage Two Stage Three Stage Four	~153,000 tonnes ~165,000 tonnes ~324,000 tonnes ~295,000 tonnes (during Great White PRM™ Production) ~285,000 tonnes (after PRM depleted)	Andromeda mine schedule, Primero recoveries

ASX specifically refers to:

- Stage one construction starting in October 2022;
- Stage one production starting in July 2023;
- Stage one processing rate of 300,000 t/pa
- Stage one annual saleable production totalling ~153,000 tonnes

D. ADN's announcement titled 'Procurement of Long Lead Items for the Great White Project', (the '**Announcement**') which disclosed (relevantly, emphasis added):

- "[ADN] has commenced procuring long lead capital items for the initial plant of the Great White Kaolin Project"*
- "When fully operational, the starter plant is planned to process **100,000 t/pa** of GWKP ore, resulting in nameplate production of **50,000 t/pa** of product to fulfil customer agreements, and samples for prospective customers to evaluate."*

- iii. *“Andromeda aims to **commence commissioning of the initial plant in late 2023, with the goal of first sales in the first half of 2024.**”*

ASX notes that the Announcement was not marked as price sensitive by ADN when it was submitted to MAP.

- E. The decline in ADN’s share price to a low of \$0.063 from a previous close of \$0.093 (-32.3%) on significantly elevated volumes on 26 August 2022 after the release of the announcement mentioned at paragraph D.
- F. Section 13 of Guidance Note 14, which states (relevantly):
“The header for an announcement should also convey a fair and balanced impression of what the announcement is about so as not to mislead readers as to its contents or significance. For example, the header to an announcement that contains essentially negative information should not attempt to disguise that fact by picking out a small piece of positive information in the announcement and just mentioning that (sometimes referred to as “putting spin” on the announcement).”
- G. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- H. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:
“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”
- I. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:
3.1A.1 One or more of the following applies:
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed.”*
- J. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:
“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be

confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks ADN to respond separately to each of the following questions and requests for information:

1. Does ADN consider the information contained within the Announcement to be information that a reasonable person would expect to have in impact on the price or volume of ADN’s securities? In your answer please specifically address the following differences:

<u>DFS</u>	<u>Announcement</u>
Stage one construction commencing October 2022 and stage one production commencing in July 2023	Commissioning of the plant in late 2023 and first sales in the first half of 2024
Stage one processing rate of 300,000 t/pa	Starter plant processing rate of 100,000 t/pa
Saleable production of 153,000 t/pa	Nameplate production of 50,000 t/pa

2. If the answer to question 1 is “no”:
 - 2.1 Please provide the basis for that view.
 - 2.2 What does ADN believe was the cause of the significant decline in its share price on 26 August 2022?
 - 2.3 What was ADN’s purpose for lodging the Announcement on MAP at all?
3. If the answer to question 1 is “yes”, had ADN disclosed this on MAP previously? If so, please identify the announcement in which it did so. If not, please explain why ADN indicated the Announcement was non-sensitive, noting that ADN has twice previously made errors when submitting announcements to MAP (paragraphs A & B).
4. When did ADN become aware of the contents of the Announcement?
5. If ADN became aware of the contents of the Announcement at an earlier date, why did it not disclose this information at that time?
6. Is ADN of the view that the header of the Announcement was a fair and balanced impression of the contents as per section 13 of Guidance Note 14 (paragraph F)? If so, please provide the basis for that view.
7. Please confirm that ADN is complying with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that ADN’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ADN with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **11:00 AMAEST Friday, 2 September 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ADN’s obligation is to disclose the information

'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require ADN to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ADN's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in ADN's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to ADN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that ADN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards

Yushra Haniff
Compliance Adviser, Listings Compliance (Sydney)